

SINGLE AUDIT

ENOCH PRATT FREE LIBRARY

**A COMPONENT UNIT OF THE
CITY OF BALTIMORE**

FOR THE FISCAL YEAR ENDED

JUNE 30, 2002



City of Baltimore
Department of Audits

SINGLE AUDIT
ENOCH PRATT FREE LIBRARY
FOR THE FISCAL YEAR ENDED
JUNE 30, 2002

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Assets.....	11
Statement of Activities.....	12
<i>Governmental Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds.....	13
Statement of Support, Revenues, Expenditures and Capital Additions and Changes in Fund Balances of Governmental Funds.....	14
Reconciliation of the Statement of Support, Revenues, Expenditures and Capital Additions and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	15
Statement of Support, Revenues, Expenditures and Capital Additions and Changes in Fund Balances – Budget and Actual - General Fund	16
Statement of Support, Revenues, Expenditures and Capital Additions and Changes in Fund Balances – Budget and Actual - Special Revenue–Other Fund.....	17
Statement of Support, Revenues, Expenditures and Capital Additions and Changes in Fund Balances – Budget and Actual - Permanent Fund	18
Notes to Financial Statements.....	19
Supplemental Information	
Schedule of Expenditures of Federal Awards.....	37
Notes to Schedule of Expenditures of Federal Awards.....	38

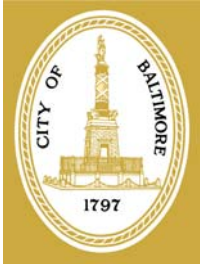
SINGLE AUDIT
ENOCH PRATT FREE LIBRARY
FOR THE FISCAL YEAR ENDED
JUNE 30, 2002

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
Reports and Schedules Required by Government Auditing Standards and Office of Management and Budget Circular A-133	
Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards.....	39
Auditor's Report on Compliance With Requirements Applicable to the Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.....	41
Auditor's Schedule of Findings and Questioned Costs.....	43
Auditee's Summary Schedule of Prior Audit Findings.....	45
Auditee's Corrective Action Plan on Current Audit Findings.....	46

CITY OF BALTIMORE

MARTIN O'MALLEY, Mayor



DEPARTMENT OF AUDITS

YOVONDA D. BROOKS, CPA
City Auditor

Room 321, City Hall
Baltimore, Maryland 21202
Telephone: (410) 396-4783
Telefax: (410) 545-3961

INDEPENDENT AUDITOR'S REPORT

January 15, 2003

Honorable Joan M. Pratt, Comptroller
And Other Members of the
Board of Estimates of the
City of Baltimore

Board of Trustees of the
Enoch Pratt Free Library

We have audited the accompanying financial statements of the governmental activities, each major governmental fund and the aggregate remaining fund information of the Enoch Pratt Free Library, a component unit of the City of Baltimore, as of and for the year ended June 30, 2002, which collectively comprise the Enoch Pratt Free Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Enoch Pratt Free Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major governmental fund and the aggregate remaining fund information of the Enoch Pratt Free Library of the City of Baltimore as of June 30, 2002, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund, Special Revenue-Other Fund and Permanent Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, the Enoch Pratt Free Library has implemented a new reporting model, required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, as modified by GASB Statement No. 37, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, as of July 1, 2001.

The management’s discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Enoch Pratt Free Library’s basic financial statements. The schedule of expenditures of federal awards on pages 37 and 38 is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the Enoch Pratt Free Library. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report, dated January 15, 2003, on our consideration of the Enoch Pratt Free Library’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

Yovonda D. Brooks, CPA
City Auditor

ENOCH PRATT FREE LIBRARY

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2002

As management of the Enoch Pratt Free Library (the Library), we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library for the fiscal year ended June 30, 2002. We encourage readers to consider the information presented here in conjunction with the financial statements, which can be found on pages 11 through 36 of this report.

Financial Highlights

- The assets of the Library exceeded its liabilities at the close of the most recent fiscal year by \$60,542,500 (*net assets*). Of this amount, \$8,137,600 (*unrestricted net assets*) may be used to meet the Library's ongoing obligations to citizens and creditors.
- The Library's total net assets decreased by \$96,900. This decrease is attributable to an increase in capital assets due to acquisition of property for the Southeast Library and the purchase of books and equipment offset by a loss in the market value of our investments.
- As of the close of the current fiscal year, the Library's governmental funds reported combined ending fund balances of \$24,500,400. Approximately 71 percent of this total amount, \$17,320,500, is *available for spending* at the Library's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund deficit for the General Fund was \$212,300.
- The Library's long-term liabilities decreased by \$91,100 (three percent) during the current fiscal year. The key factor in this decrease was a reduction in long-term personnel.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Library's basic financial statements. The Library's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Library's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Library's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The *statement of activities* presents information showing how the Library's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements report functions of the Library that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The Library has no functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Library include administrative and technical services, neighborhood services and the State Library Resource Center.

The Library is incorporated in the basic financial statements of the City of Baltimore as a blended component unit. The Library's government-wide financial statements include only the financial position and results of operation of the Library itself and are not intended to present fairly the financial position of the City of Baltimore taken as a whole. The Library has no component units.

The government-wide financial statements can be found on pages 11 and 12 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Library are governmental funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and capital additions, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Library maintains four individual governmental funds. Information on all four funds is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and capital additions, and changes in fund balances.

The basic governmental fund financial statements can be found on pages 13 through 15 of this report.

Proprietary funds. The Library maintains no proprietary funds.

Fiduciary funds. The Library maintains no fiduciary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 through 36 of this report.

Other information. The Library adopts annual appropriated budgets for its General Fund, Special Revenue–Other Fund and Permanent Fund. Budgetary comparison statements have been provided for each fund to demonstrate compliance with these budgets. Required supplementary information can be found on pages 16 through 18 of this report.

Government-wide Financial Analysis

This is the first year that the Library has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), Basic Financial Statements — and Management’s Discussion and Analysis (MD&A) — for State and Local Governments. Because this reporting model changes significantly both the recording and presentation of financial data, the Library has not restated prior fiscal years for the purposes of providing comparative information for the MD&A. In future years when prior-year information is available a comparative analysis of government-wide data will be included in this report.

Enoch Pratt Free Library Net Assets June 30, 2002

	Governmental Activities
Assets:	
Current and other assets.....	\$ 26,861,300
Capital assets.....	<u>39,059,800</u>
Total assets.....	<u>65,921,100</u>
Liabilities:	
Long-term liabilities outstanding.....	3,017,700
Other liabilities.....	<u>2,360,900</u>
Total liabilities.....	<u>5,378,600</u>
Net assets:	
Invested in capital assets.....	39,059,800
Restricted.....	13,345,100
Unrestricted.....	<u>8,137,600</u>
Total net assets.....	<u><u>\$ 60,542,500</u></u>

Analysis of net assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Library, assets exceeded liabilities by \$60,542,500 at the close of the most recent fiscal year.

By far the largest portion of the Library’s net assets (65 percent) reflects its investment in capital assets (e.g., books, land, buildings, equipment, fine arts, and special collections). The Library uses these capital assets to provide services to citizens and users; consequently, these assets are *not* available for future spending.

An additional portion of the Library’s net assets (22 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of

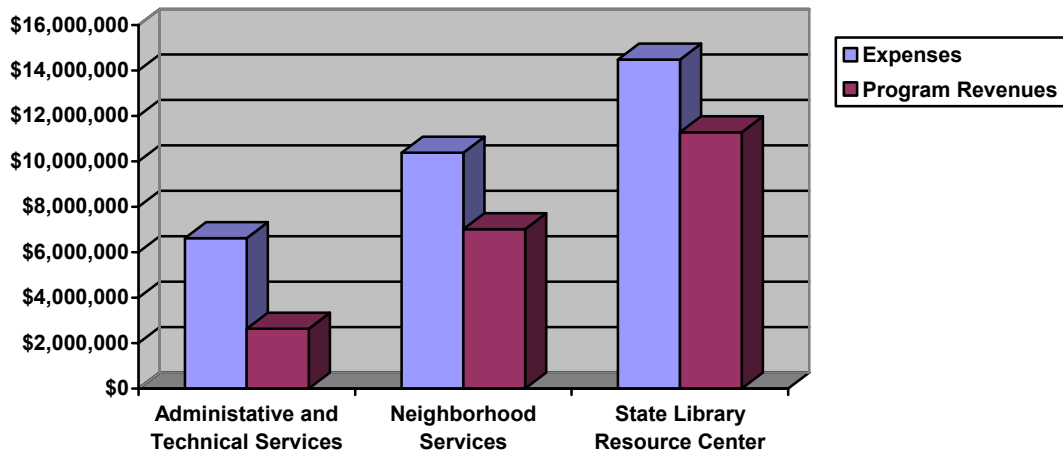
unrestricted net assets (\$8,137,600) may be used to meet the Library's ongoing obligations to citizens, users, and creditors.

**Enoch Pratt Free Library
Changes in Net Assets
For the Year Ended June 30, 2002**

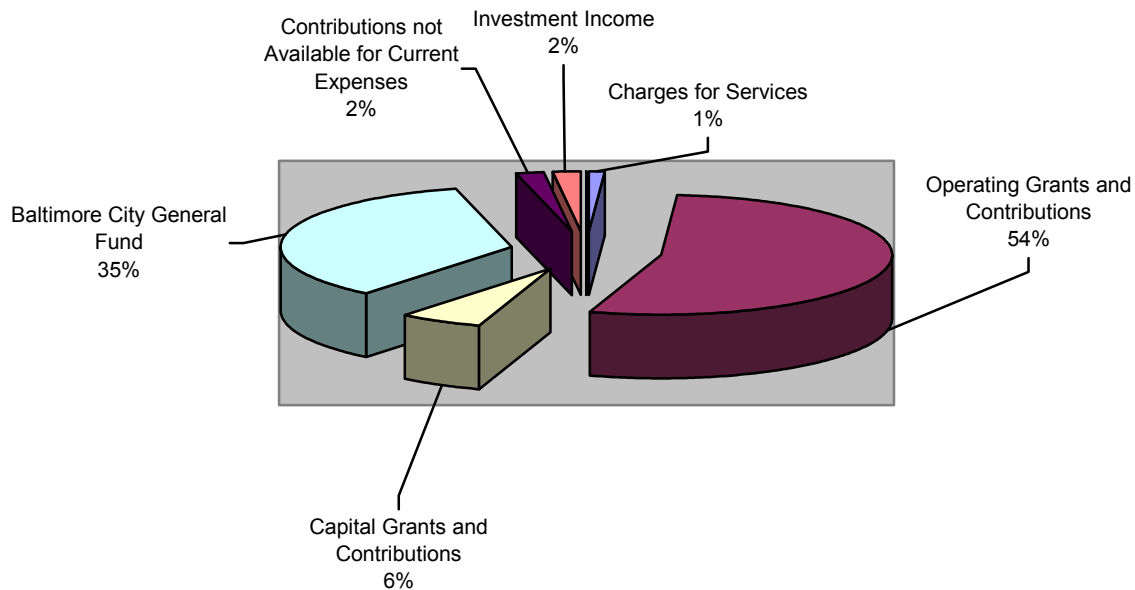
	Governmental Activities
Revenues	
Program revenues:	
Charges for services.....	\$ 426,600
Operating grants and contributions.....	18,448,500
Capital grants and contributions.....	2,045,500
General revenues:	
Baltimore City general fund.....	12,102,800
Contributions not available for current expenses.....	647,200
Investment income.....	704,400
Investment gains and losses.....	(2,989,100)
Total revenues.....	<u>31,385,900</u>
Expenses	
Administrative and technical services.....	6,624,400
Neighborhood services.....	10,381,400
State library resource center.....	<u>14,477,000</u>
Total expenses.....	<u>31,482,800</u>
Decrease in net assets.....	(96,900)
Net assets at beginning of year.....	<u>60,639,400</u>
Net assets at end of year.....	<u><u>\$ 60,542,500</u></u>

Analysis of changes in net assets. The Library's net assets overall decreased by \$96,900 during the current fiscal year. These decreases are explained in the governmental activities discussion below and are primarily a result of an increase in revenues and an increase in ongoing expenses.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



Governmental activities. Key factors for the decrease in net assets of the Library's governmental activities are as follows:

- Grant revenue from state, federal and other sources increased by approximately \$2,846,000 or 23 percent in the aggregate, largely related to increases of state funding for the State Library Resource Center and funding from the Baltimore City Public Schools.
- Investment losses declined by approximately \$1,125,300 or 27 percent during the fiscal year due to changes in market conditions.

- Support from the Baltimore City General Fund decreased by approximately \$1,219,500 or 9 percent during the fiscal year due to budget reductions caused by economic conditions.
- Gifts, contributions and bequests increased by approximately \$603,900 or 29 percent during the fiscal year due to an increased focus on private giving.
- Library expenses increased, primarily due to increases in grant expenditures offset by a decrease in General Fund expenditures caused by the closure of five branches.

Financial Analysis of the Government's Funds

As noted earlier, the Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Library's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Library's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a Library's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the Library include the General Fund, Special Revenue Funds, and the Permanent Fund.

As of the end of the current fiscal year, the Library's governmental funds reported combined ending fund balances of \$24,500,400 a decrease of \$3,130,100 in comparison with the prior fiscal year. Approximately \$17,320,500 of this total amount constitutes unreserved fund balance, which is available for spending at the Library's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate existing contracts and purchase orders (\$2,439,100) or is unexpendable as required by endowment donors (\$4,740,800).

Revenues for governmental functions overall totaled approximately \$29,340,400 in the fiscal year ended June 30, 2002, which represents an increase of 13 percent from the fiscal year ended June 30, 2001. Expenditures for governmental functions, totaling \$32,470,500, increased by approximately seven percent from the fiscal year ended June 30, 2001. In the fiscal year ended June 30, 2002, expenses for governmental functions exceeded revenues by approximately \$3,130,100, or 11 percent.

The General Fund is the chief operating fund of the Library. At the end of the current fiscal year, the unreserved fund deficit of the General Fund was \$212,300, while the total fund balance was \$2,226,800. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund deficit represents one percent of total General Fund expenditures of \$19,698,600, while total fund balance represents 11 percent of that same amount.

The fund balance in the Library's General Fund decreased by \$925,800 during the fiscal year primarily as a result of a reduction in encumbrances caused by timing differences.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were relatively minor (\$100,000 increase in appropriations) and can be briefly summarized as follows:

- There was a \$208,400 increase in administrative and technical services appropriations.
- There was a \$108,400 decrease in neighborhood services appropriations.
- There were no changes in State Library Resource Center appropriations.

During the fiscal year the Library was required by the City to revert part of the budgeted appropriation, therefore expenditures were less than original budgetary estimates, resulting in a return to surplus of \$314,300. The decrease in expenditures was affected by the closure of five branches.

Capital Asset Administration

Capital assets. The Library's investment in capital assets for its governmental activities as of June 30, 2002, amounts to \$39,059,800 (net of accumulated depreciation). This investment in capital assets includes library books, land, buildings and improvements, equipment, fine arts and special collections. The total increase in the Library's investment in capital assets for the current fiscal year was 14 percent.

Enoch Pratt Free Library Changes in Capital Assets - Net of Depreciation

	Governmental Activities	
	<u>2002</u>	<u>2001</u>
Library books and materials.....	\$ 17,446,700	\$ 16,631,500
Land.....	1,676,400	1,656,400
Buildings and improvements.....	5,688,700	5,713,900
Equipment.....	2,345,600	2,259,000
Construction in progress.....	10,521,200	8,475,700
Fine arts.....	1,061,800	1,061,800
Special collections.....	319,400	319,400
Total.....	<u>\$ 39,059,800</u>	<u>\$ 36,117,700</u>

Major capital asset events during the current fiscal year included the following:

- The acquisition of land for use in the construction of the Southeast Regional Library and the installation of fiber optic cable in library branches (\$2,045,500).
- The acquisition of additional books and materials at a cost of \$3.4 million offset by depreciation expense of \$2.6 million.
- The acquisition of \$.6 million in equipment primarily for the Sailor Network offset by \$.6 million in depreciation.

Economic Factors and Next Year's Budget

Although the City General Fund budget will increase by approximately \$700,000, the increase is inadequate to cover cost of living increases and other inflation costs. As a result, the Library plans to reduce costs by closure of the Exploration Center at Port Discovery and other operational reductions.

Other funding is expected to increase by approximately \$2.5 million as a result of an increase in State Library Resource Center (SLRC) aid, other State/Federal Grants, and private grants

and gifts. The State portion (\$1.0 million) of that increase will be used to improve Sailor Network bandwidth and subject content and to cover costs associated with the SLRC Annex scheduled to open in fall 2003. The balance of the increase will support the expansion of the Summer Reading program, the purchase of equipment and books for the Annex, and an increase in support for Staff Development and Training.

At the time this report was prepared, the State was facing an estimated \$1.8 billion deficit for fiscal years 2003 and 2004. The State was reviewing budget reductions and revenue enhancements, which could impact aid to Baltimore City and funding for the State Library Resource Center. As those details are known, the Library will take appropriate action.

Requests for Information

This financial report is designed to provide a general overview of the Library's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Gordon Krabbe
Director of Administrative Service
400 Cathedral Street
Baltimore, Maryland 21201.

BASIC FINANCIAL STATEMENTS

ENOCH PRATT FREE LIBRARY
STATEMENT OF NET ASSETS
JUNE 30, 2002
(Rounded to Hundred Dollars)

	<u>Governmental Funds</u>
Assets:	
Cash.....	\$ 212,000
Equity in City's Pooled Cash and Cash Equivalents.....	3,750,000
Investments (At Market).....	22,123,700
Gift Shop Inventory.....	21,500
Accounts Receivable - Due from Grantors.....	589,900
Accrued Interest and Dividends Receivable.....	123,200
Due from Other Funds.....	31,100
Capital Assets (Net of Accumulated Depreciation):	
Library Books and Materials.....	17,446,700
Land.....	1,676,400
Buildings and Improvements.....	5,688,700
Equipment.....	2,345,600
Construction in Progress.....	10,521,200
Capital Assets (Nondepreciable):	
Fine Arts.....	1,061,800
Special Collections.....	319,400
Other Assets.....	<u>9,900</u>
Total Assets.....	<u>65,921,100</u>
Liabilities:	
Current Liabilities:	
Accounts Payable.....	851,400
Accrued Liabilities.....	1,024,700
Advances Payable - City's General Fund.....	302,500
Due to Baltimore City.....	4,900
Due to Other Funds.....	31,100
Deferred Revenue - Advances from Grantors.....	<u>146,300</u>
Total Current Liabilities.....	<u>2,360,900</u>
Liability for Vested Compensated Absences.....	<u>3,017,700</u>
Total Liabilities.....	<u>5,378,600</u>
Net Assets:	
Invested in capital assets.....	39,059,800
Restricted:	
Nonexpendable.....	1,964,400
Expendable.....	11,380,700
Unrestricted:	
Nonexpendable.....	2,776,400
Expendable.....	<u>5,361,200</u>
Total Net Assets.....	<u>\$ 60,542,500</u>

The notes to the basic financial statements are an integral part of this statement.

**ENOCH PRATT FREE LIBRARY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2002
(Rounded to Hundred Dollars)**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Administrative and Technical Services.....	\$ 6,624,400	\$ 116,400	\$ 2,516,800		\$ (3,991,200)
Neighborhood Services.....	10,381,400	170,700	4,795,200	\$ 2,045,500	(3,370,000)
State Library Resource Center.....	14,477,000	139,500	11,136,500		(3,201,000)
Total Governmental Activities	\$ 31,482,800	\$ 426,600	\$ 18,448,500	\$ 2,045,500	(10,562,200)
General Revenues:					
Baltimore City General Fund.....					12,102,800
Contributions Not Available for Current Expenses.....					647,200
Investment Income.....					704,400
Investment Gains and (Losses).....					(2,989,100)
Total General Revenues.....					10,465,300
Change in Assets.....					(96,900)
Net Assets - Beginning.....					60,639,400
Net Assets - Ending.....					\$ 60,542,500

The notes to the basic financial statements are an integral part of this statement.

ENOCH PRATT FREE LIBRARY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2002
(Rounded to Hundred Dollars)

	General Fund	Special Revenue - Grants	Special Revenue - Other	Permanent Fund	Total Governmental Funds
Assets:					
Cash.....	\$ 73,300	\$ 84,100	\$ 49,000	\$ 5,600	\$ 212,000
Equity in City's Pooled Cash and Cash Equivalents.....	3,750,000				3,750,000
Investments (At Market).....			17,269,300	4,854,400	22,123,700
Gift Shop Inventory.....			21,500		21,500
Accounts Receivable - Due from Grantors.....		589,900			589,900
Accrued Interest and Dividends Receivable.....			94,200	29,000	123,200
Due from Other Funds.....		31,100			31,100
Other Assets.....			9,900		9,900
Total Assets.....	3,823,300	705,100	17,443,900	4,889,000	26,861,300
Liabilities and Fund Balances:					
Current Liabilities:					
Accounts Payable.....	397,100	404,900	49,300	100	851,400
Accrued Liabilities.....	870,800	153,900			1,024,700
Advances Payable - City's General Fund.....	302,500				302,500
Due to Baltimore City.....	4,900				4,900
Due to Other Funds.....	21,200		9,900		31,100
Deferred Revenue - Advances from Grantors.....		146,300			146,300
Total Current Liabilities.....	1,596,500	705,100	59,200	100	2,360,900
Fund Balances (Deficits):					
Reserved for:					
Encumbrances.....	2,439,100				2,439,100
Principal Non-expendable, Income Restricted.....				1,964,400	1,964,400
Principal Non-expendable, Income Unrestricted.....				2,776,400	2,776,400
Unreserved, reported in:					
General fund.....	(212,300)				(212,300)
Principal Non-expendable, Income Restricted.....				126,000	126,000
Principal Non-expendable, Income Unrestricted.....				22,100	22,100
Principal Expendable, Income Restricted.....			11,254,700		11,254,700
Principal Expendable, Income Unrestricted.....			6,130,000		6,130,000
Total Fund Balances	2,226,800		17,384,700	4,888,900	24,500,400
Total Liabilities and Fund Balances.....	\$ 3,823,300	\$ 705,100	\$ 17,443,900	\$ 4,889,000	

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	39,059,800
Long-term liabilities, i.e., Liability for Compensated Absences, are not due and payable in the current period and therefore are not reported in the funds.	(3,017,700)
Net assets of governmental activities	\$ 60,542,500

The notes to the basic financial statements are an integral part of this statement.

ENOCH PRATT FREE LIBRARY
STATEMENT OF SUPPORT, REVENUES, EXPENDITURES AND CAPITAL ADDITIONS
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2002
(Rounded to Hundred Dollars)

	General Fund	Special Revenue - Grants	Special Revenue - Other	Permanent Fund	Total Governmental Funds
Support and Revenue:					
Support:					
Baltimore City - General Fund.....	\$ 12,102,800				\$ 12,102,800
Federal Grants.....		\$ 547,800			547,800
State Grants.....	5,174,400	8,230,900			13,405,300
Other Grants.....		1,408,900			1,408,900
Fringe Benefits Paid Directly By the State.....	1,016,500				1,016,500
Gifts, Contributions and Bequests.....			\$ 2,057,800	\$ 12,200	2,070,000
Total Support.....	18,293,700	10,187,600	2,057,800	12,200	30,551,300
Revenue:					
Fines, Fees and Other.....	340,100		86,500		426,600
Investment Income.....			445,900	119,500	565,400
Interest from Enoch Pratt Endowment.....	139,000				139,000
Total Revenue.....	479,100		532,400	119,500	1,131,000
Total Support and Revenue.....	18,772,800	10,187,600	2,590,200	131,700	31,682,300
Expenditures:					
Administrative and Technical Services.....	5,891,400	38,500	793,700	81,800	6,805,400
Neighborhood Services.....	8,718,100	660,400	1,175,400	120,100	10,674,000
State Library Resource Center.....	5,089,100	8,988,700	842,400	70,900	14,991,100
Total Expenditures.....	19,698,600	9,687,600	2,811,500	272,800	32,470,500
Excess (Deficiency) of Revenue and Support over Expenditures before Capital Additions.....	(925,800)	500,000	(221,300)	(141,100)	(788,200)
Capital Additions:					
Gifts, Contributions and Bequests.....			647,200		647,200
Gain (Loss) on Investments.....			(2,298,300)	(690,800)	(2,989,100)
Total Capital Additions.....			(1,651,100)	(690,800)	(2,341,900)
Excess (Deficiency) of Revenue, Support and Capital Additions over Expenditures.....	(925,800)	500,000	(1,872,400)	(831,900)	(3,130,100)
Fund Balances (Deficits), Beginning of Year.....	3,152,600	(500,000)	19,257,100	5,720,800	27,630,500
Fund Balances, End of Year.....	\$ 2,226,800		\$ 17,384,700	\$ 4,888,900	\$ 24,500,400

The notes to the basic financial statements are an integral part of this statement.

ENOCH PRATT FREE LIBRARY
RECONCILIATION OF THE STATEMENT OF SUPPORT, REVENUES,
EXPENDITURES AND CAPITAL ADDITIONS
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2002
 (Rounded to Hundred Dollars)

Amounts reported for governmental activities in the statement of activities (page 12) are different because:

Net change in fund balances - total governmental funds (page 14)	\$ (3,130,100)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	2,942,100
Governmental funds report long-term liabilities, i.e., Liability for Compensated Absences, as expenditures when payable in the current period. However, in the statement of activities the change in that liability is recognized as a current year cost. This is the amount by which the liability changed in the current period.	<u>91,100</u>
Change in net assets of governmental activities (page 12)	<u><u>\$ (96,900)</u></u>

The notes to the basic financial statements are an integral part of this statement.

ENOCH PRATT FREE LIBRARY
STATEMENT OF SUPPORT, REVENUES, EXPENDITURES AND CAPITAL ADDITIONS
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2002
(Rounded to Hundred Dollars)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Support and Revenue:				
Support:				
Baltimore City - General Fund.....	\$ 12,348,400	\$ 12,448,400	\$ 12,102,800	\$ (345,600)
State Grants.....	5,209,000	5,209,000	5,174,400	(34,600)
Fringe Benefits Paid Directly By the State.....	1,016,500	1,016,500	1,016,500	
Total Support.....	18,573,900	18,673,900	18,293,700	(380,200)
Revenue:				
Fines, Fees and Other.....	294,000	294,000	340,100	46,100
Interest from Enoch Pratt Endowment.....	131,000	131,000	139,000	8,000
Total Revenue.....	425,000	425,000	479,100	54,100
Total Support and Revenue.....	18,998,900	19,098,900	18,772,800	(326,100)
Expenditures:				
Administrative and Technical Services.....	5,710,300	5,918,700	5,896,100	22,600
Neighborhood Services.....	7,789,500	7,681,100	7,567,500	113,600
State Library Resource Center.....	5,499,100	5,499,100	5,106,900	392,200
Total Expenditures.....	18,998,900	19,098,900	18,570,500	528,400
Excess of Revenue, Support and Capital Additions over Expenditures.....			202,300	202,300
Fund Balances (Deficits), Beginning of Year.....			(57,600)	(57,600)
Fund Balances, End of Year.....			\$ 144,700	\$ 144,700

The notes to the basic financial statements are an integral part of this statement.

ENOCH PRATT FREE LIBRARY
STATEMENT OF SUPPORT, REVENUES, EXPENDITURES AND CAPITAL ADDITIONS
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE - OTHER
FOR THE YEAR ENDED JUNE 30, 2002
(Rounded to Hundred Dollars)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Support and Revenue:				
Support:				
Gifts, Contributions and Bequests.....	\$ 3,337,800	\$ 3,337,800	\$ 2,705,000	\$ (632,800)
Total Support.....	3,337,800	3,337,800	2,705,000	(632,800)
Revenue:				
Fines, Fees and Other.....	91,000	91,000	86,500	(4,500)
Investment Income.....	476,300	476,300	450,900	(25,400)
Total Revenue.....	567,300	567,300	537,400	(29,900)
Total Support and Revenue.....	3,905,100	3,905,100	3,242,400	(662,700)
Expenditures:				
Administrative and Technical Services.....	920,200	920,200	837,100	83,100
Neighborhood Services.....	1,363,400	1,363,400	1,245,600	117,800
State Library Resource Center.....	794,100	794,100	866,200	(72,100)
Total Expenditures.....	3,077,700	3,077,700	2,948,900	128,800
Excess (Deficiency) of Revenue and Support over Expenditures before Capital Additions.....	827,400	827,400	293,500	(533,900)
Capital Additions:				
Gain (Loss) on Investments.....			(2,298,300)	(2,298,300)
Total Capital Additions.....			(2,298,300)	(2,298,300)
Excess (Deficiency) of Revenue, Support and Capital Additions over Expenditures.....	827,400	827,400	(2,004,800)	(2,832,200)
Fund Balances (Deficits), Beginning of Year.....	(837,000)	(837,000)	19,344,600	20,181,600
Fund Balances (Deficits), End of Year.....	\$ (9,600)	\$ (9,600)	\$ 17,339,800	\$ 17,349,400

The notes to the basic financial statements are an integral part of this statement.

ENOCH PRATT FREE LIBRARY
STATEMENT OF SUPPORT, REVENUES, EXPENDITURES AND CAPITAL ADDITIONS
AND CHANGES IN FUND BALANCES
PERMANENT FUND
YEAR ENDED JUNE 30, 2002
(Rounded to Hundred Dollars)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Support and Revenue:				
Support:				
Gifts, Contributions and Bequests.....	\$ 14,700	\$ 14,700	\$ 12,200	\$ (2,500)
Total Support.....	14,700	14,700	12,200	(2,500)
Revenue:				
Investment Income.....	128,200	128,200	119,900	(8,300)
Total Revenue.....	128,200	128,200	119,900	(8,300)
Total Support and Revenue.....	142,900	142,900	132,100	(10,800)
Expenditures:				
Administrative and Technical Services.....	9,300	9,300	81,900	(72,600)
Neighborhood Services.....	13,800	13,800	120,200	(106,400)
State Library Resource Center.....	8,000	8,000	71,000	(63,000)
Total Expenditures.....	31,100	31,100	273,100	(242,000)
Excess (Deficiency) of Revenue and Support over Expenditures before Capital Additions.....	111,800	111,800	(141,000)	(252,800)
Capital Additions:				
Gain (Loss) on Investments.....			(690,900)	(690,900)
Total Capital Additions.....			(690,900)	(690,900)
Excess (Deficiency) of Revenue, Support and Capital Additions over Expenditures.....	111,800	111,800	(831,900)	(943,700)
Fund Balances (Deficits), Beginning of Year.....	(14,700)	(14,700)	5,691,900	5,706,600
Fund Balances, End of Year.....	\$ 97,100	\$ 97,100	\$ 4,860,000	\$ 4,762,900

The notes to the basic financial statements are an integral part of this statement.

ENOCH PRATT FREE LIBRARY

Notes to Financial Statements

June 30, 2002

1. Summary of significant accounting policies

A. Reporting Entity

Maryland law created the Enoch Pratt Free Library (Library) in 1882, which enabled the City of Baltimore (City) to accept a donation from Enoch Pratt to establish "The Enoch Pratt Free Library of Baltimore City." The City owns the Library buildings, however a self-perpetuating Board of Trustees administers its operations. In 1971, the Maryland General Assembly designated the Library as the State Library Resource Center.

The Library receives funds from the City and State in the form of appropriations and grants, private donations, gifts and grants made directly to the Board of Trustees, as well as an endowment from the Enoch Pratt Trust Fund. The City's Department of Finance operates as a service agency for the Library, providing such services as general accounting, payroll, disbursements and other services. The Library is subject to the budgetary control and expenditure authorization of the City concerning the appropriations included in the General Fund of the Library.

The Library is incorporated in the basic financial statements of the City as a blended component unit in accordance with criteria established by the Governmental Accounting Standards Board.

Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. Based on the aforementioned criteria, there are no component units for which the Library exercises oversight authority.

The basic financial statements of the Library are prepared from the records of the City and the Library. The governmental fund statements pertain to the operations of the Library and do not reflect those activities related to capital projects or debt service, as these are the responsibility of the City and reflected in its basic financial statements. The accounting and financial reporting policies of the Library included in this report conform to generally accepted accounting principles and reporting standards as promulgated by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants.

These basic financial statements, as presented, reflect only the financial position and results of operations of the Library. They are not intended to present fairly the

ENOCH PRATT FREE LIBRARY

Notes to Financial Statements (Continued)

financial position of Baltimore City taken as a whole or the results of its operations in conformity with generally accepted accounting principles.

B. Changes in Accounting

The Government Accounting Standards Board (GASB) issued Accounting Standards Statement 34, *Basic Financial Statements-and Management Discussion and Analysis-for State and Local Governments* in June 1999. The statement established new financial reporting requirements, requires new information to be reported, and restructured much of the information that governments have reported in the past. Its purpose was to make annual financial reports more comprehensive and easier to understand and use. The statement required implementation by governments of Baltimore City's size in fiscal year 2002.

Because of the purpose described above, the Library has applied the new standard and substantially revised its fiscal year 2001 financial statements. The basis of accounting for the Library's fund statements was not changed by the new GASB statement, however, the reporting of government-wide financial statements required significant additional information not previously reported including the determination and reporting of depreciation on the Library's capital assets.

The Library changed its policy from capitalizing fixed assets with no minimum cost to capitalizing such assets with a cost basis of \$5,000 or more.

C. Basis of Presentation, Basis of Accounting

Basis of Presentation

Entity-wide Statements. The statement of net assets and the statement of activities display information about the overall financial position and activities of the Library. These statements are reported using the economic resources measurement focus and the accrual basis of accounting. The activities of the Library are primarily financed through property taxes, intergovernmental revenues, and other non-exchange transactions. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flows take place.

Program revenues include (a) fines, fees, and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operations or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the Library's governmental funds. The fund financial statements are reported using the current financial resources measurement focus and the modified accrual

ENOCH PRATT FREE LIBRARY

Notes to Financial Statements (Continued)

basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues applicable to the current fiscal year and collected soon after year-end are recognized as revenue. Expenditures expected to be paid from currently available resources are recorded when the related fund liability is incurred, except for payments for compensated absences, which are recognized as expenditures when paid.

The Library reports the following major governmental funds:

General Fund. This is the Library's primary operating fund. It accounts for all financial resources of the Library, except those required to be accounted for in another fund.

Special Revenue-Grants. These funds account for revenues derived from certain governmental grants and other revenue sources that are restricted by law or administrative action to expenditures for specific purposes.

Special Revenue-Other. The proceeds include the expendable portion of gifts and endowments received by the Library.

Permanent Fund. The proceeds include the non-expendable portion of the Library's Endowment Fund.

Measurement Focus, Basis of Accounting

Entity-wide Financial Statements. The entity-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Library considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end, except for grant and entitlement revenue which have a 120-day availability period. Expenditures are recorded when the related fund liability is incurred, except for compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds.

ENOCH PRATT FREE LIBRARY

Notes to Financial Statements

(Continued)

Under the terms of the grant agreements, the Library funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Library's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical grants, and then by general revenues.

D. Specific Accounting Practices

Equity in the City's Pooled Cash

Except for the Library Trustees' endowment investments, the City of Baltimore has custody of Library funds. The cash balances of City funds are pooled and invested by the City for the purpose of increasing earnings through investment activities. The pool's investments are reported at fair value at June 30, 2002, based on market prices. The individual funds' portions of the pool's fair value are presented as "Equity in the City's Pooled Cash."

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits, as well as overnight investments.

Inventories

Gift Shop inventory is valued at cost.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of receipt. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40-50 years
Building Improvements	20-50 years
Equipment	5 years
Library Books and Materials	10 years

ENOCH PRATT FREE LIBRARY

Notes to Financial Statements

(Continued)

Endowments

The Library's Endowment is composed of the following four types of funds:

- (1) Principal Expendable, Income Restricted.
- (2) Principal Expendable, Income Unrestricted.
- (3) Principal Unexpendable, Income Restricted.
- (4) Principal Unexpendable, Income Unrestricted.

The last two funds are permanent endowments for which donors have stipulated as a condition of the gift that the principal be maintained in perpetuity. The terms of the gift will stipulate how earnings are to be used, either for some restricted purpose or used for unrestricted purposes. In accordance with classic trust law, the Library follows the policy of allocating gains and losses from appreciation or depreciation to the principal.

Compensated Absences

The liability for compensated absences reported in the government-wide fund statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, approved requisitions and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the General Fund. Encumbrances are treated as reservations of fund balances in this fund because they do not constitute expenditures or liabilities. Encumbrances are reported with expenditures in the General Fund budgetary basis statement.

Sick, Vacation and Personal Leave

Employees earn one day of sick leave for each completed month of service and there is no limitation on the number of sick days that employees can accumulate. A portion of unused sick leave earned annually during each twelve-month base period may be converted to cash at a maximum of three days, computed on an attendance formula. Upon retirement with pension benefits, or termination of employment after completion of twenty or more years of service without pension benefits, employees receive one day's pay for every four sick leave days accumulated and unused at the day of separation or one day's pay for every three such days, depending on the employee's bargaining unit. Under any other such

ENOCH PRATT FREE LIBRARY

Notes to Financial Statements

(Continued)

conditions of separation, unused sick leave is forfeited. Sick leave benefit expenditures are not recorded until paid, except that vested and expected to be vested unused sick leave is recorded when leave is earned in the entity-wide statements. The liability is not expected to be reduced in the succeeding year.

The professional and certain other employees of the Library, which comprise the majority of the employees, may accumulate a maximum of 108 vacation and personal leave days depending on length of service. The administrative and supervisory employees may accumulate a maximum of 216 vacation and personal leave days depending upon length of service. The leave may be taken through time off or carried until paid upon termination or retirement. Accumulated vacation and personal leave is recorded in the entity-wide statements. This liability is not expected to be reduced in the succeeding year.

Fund Equity

In the fund financial statements, funds report reservations of fund balances for accounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The following is a description of the reservations in the governmental fund financial statements:

Reserved for encumbrances – Encumbrances outstanding at year-end represent the estimated amount the Library intends to honor as a commitment regardless of the lapse in appropriation.

Reserved for non-expendable restrictions – Certain assets, primarily investments, do not represent expendable available financial resources. Therefore a portion of fund equity is reserved to offset the balance of these assets.

Interfund Transactions

Transfers of Expenditures (Reimbursements) - Reimbursement of expenditures made by one fund for another that are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

ENOCH PRATT FREE LIBRARY

Notes to Financial Statements

(Continued)

2. Implementation of New Accounting Principles

A. Governmental Accounting Standards Board (GASB) Statement No. 34 (as modified by GASB Statement No. 37)

Effective July 1, 2001, the Library adopted the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This statement affects the manner in which the Library records transactions and presents financial information. State and local governments have traditionally used a financial reporting model substantially different from the one used to prepare private-sector financial reports.

GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. The statement was developed to make annual reports of state and local governments easier to understand and more useful to the people who use governmental financial information to make decisions.

Management’s Discussion and Analysis – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the Library’s financial activities in the form of “management’s discussion and analysis” (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations.

Government-Wide Financial Statements – The reporting model includes financial statements prepared using full accrual accounting for all the Library’s activities. This approach includes not just current assets and liabilities, but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Assets – The statement of net assets is designed to display the financial position of the primary government (government and business-type activities). The Library now reports all capital assets in the government-wide statement of net assets and reports depreciation expense – the cost of “using up” capital assets – in the statement of activities. The net assets of the Library are divided into three categories – (1) invested in capital assets, net of depreciation; (2) restricted; and (3) unrestricted.

Statement of Activities – The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the Library’s functions. The expense of individual functions is compared to the revenue generated directly by the function.

ENOCH PRATT FREE LIBRARY

Notes to Financial Statements (Continued)

Accordingly, the Library has recorded capital and certain other long-term assets and liabilities in the statement of net assets, and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities.

B. Governmental Accounting Standards Board Statement No. 38

Effective July 1, 2001, the Library adopted the provisions of GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. This statement modifies, establishes, and rescinds certain financial statement disclosure requirements. Accordingly, certain footnote disclosures have been revised to conform to the provisions of GASB Statement No. 38.

3. Budgetary Data

Annual budgets are adopted for the General Fund, all Special Revenue Funds, except for Grants Revenue Funds, and the Permanent Fund on a basis consistent with generally accepted accounting principles, except for certain miscellaneous general expenditures which are not budgeted and encumbrances which are recognized as expenditures for budgetary purposes.

The Library's General Fund results from Baltimore City's budget process. The budget of the City is a detailed operating plan, which identifies estimated costs and results in relation to estimated revenues. The budget includes (1) the programs, projects, services, and activities to be provided during the fiscal year, (2) the estimated resources (inflows) and amounts available for appropriation, and (3) the estimated charges to appropriations. The budget represents a process through which policy decisions are made, implemented, and controlled. The City Charter prohibits expending funds for which there is no legal appropriation.

The following procedures establish the budgetary data reflected in the financial statements:

Original Budget

- (1) City agencies submit their anticipated annual budget needs to the Department of Finance during December.
- (2) From December through March, the Mayor and the Department of Finance analyze, review, and refine the budget submittals.
- (3) In April, the Director of Finance sends its recommended budget plan to the Board of Estimates. The Board then holds hearings and the recommended

ENOCH PRATT FREE LIBRARY

Notes to Financial Statements

(Continued)

budget is amended as necessary. Citizens have the opportunity to offer input before the Board votes on the budget.

- (4) In May, a majority vote of the Board of Estimates approves the total budget and sends it to the City Council. The Board of Estimates must submit the proposed budget for the next fiscal year to the City Council at least 45 days before the beginning of said fiscal year. The Board of Estimates prepares a proposed Ordinance of Estimates to be submitted to the City Council. The Ordinance of Estimates is the legal authority for the enactment of the budget.
- (5) The City Council then holds hearings on the proposed Ordinance of Estimates, with additional citizen input before it votes in June. The City Council shall adopt the budget at least five days before the beginning of the fiscal year. The City Council then sends the approved Ordinance of Estimates to the Mayor.
- (6) The Mayor then either approves the total Ordinance of Estimates, or disapproves some items and approves the rest of the Ordinance of Estimates.
- (7) The Library's Board of Trustees reviews and approves a Special Fund-Other and Permanent Fund budget at its June meeting.

Final Budget

The final budgetary data presented in the basic financial statements reflects the following changes to the original budget:

- (1) Appropriations for a particular program, purpose, activity, or project may, upon the recommendation of the head of the municipal agency concerned and the Director of Finance, and with the approval of the Board of Estimates, be carried over to the subsequent fiscal year to carry out the initial appropriation objectives. All appropriations not carried over lapse at the end of the fiscal year in which they were made. In addition, funds encumbered for contracts, purchase orders, approved requisitions or other actual commitments, as well as funds dedicated to grant programs and capital improvements are carried out over the ensuing fiscal year until utilized or cancelled.
- (2) The adopted budget is prepared and appropriated on an agency, program, activity, and object of expenditure basis by fund. Purchase orders, which result in an operating or capital overrun, are not released until additional appropriations are made available. Expenditures for each adopted operating budget may not legally exceed appropriations at the agency level. Administratively, the Department of Finance has the authority to move appropriations between activities of the same program within the same agency.

ENOCH PRATT FREE LIBRARY

Notes to Financial Statements

(Continued)

The Board of Estimates has the authority to transfer appropriations between programs within the same agency. Only the City Council can transfer appropriations between agencies.

- (3) The City Charter permits further appropriations for programs included in the original Ordinance of Estimates made necessary by material changes in circumstances and additional appropriations for new programs or grant awards which could not reasonably be anticipated when formulating the original Ordinance of Estimates. None were required for the Library during fiscal year 2002.

Budgetary data, as revised, is presented in the basic financial statements for the General Fund, Special Revenue-Other Fund, and Permanent Fund. Final budgetary data excludes the amounts reserved for encumbrances for appropriate comparison to actual expenditures.

4. Reconciliation of Government-wide and Fund Financial Statements

A summary reconciliation of the difference between total fund balance as reflected on the governmental funds balance sheet and the net assets for governmental activities as shown on the government-wide statement of net assets is presented on the face of the governmental funds balance sheet. The asset and liability elements which comprise the reconciliation difference stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and accrual basis of accounting.

A summary reconciliation of the difference between net changes in fund balance as reflected on the governmental funds statement of support, revenues, expenditures and capital additions and changes in fund balances and change in net assets for governmental activities as shown on the government-wide statement of activities is presented in an accompanying schedule to the governmental funds statement of support, revenues, expenditures and capital additions and changes in fund balances. The revenue and expense elements which comprise the reconciliation difference stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting, while the government-wide financial statements use the economic resources measurement focus and accrual basis of accounting.

ENOCH PRATT FREE LIBRARY

Notes to Financial Statements (Continued)

5. Deposits and Investments

A. Cash Deposits

As of June 30, 2002, the carrying amount of the Library's bank deposits was \$212,000 and the respective bank balances totaled \$1,536,144. Of the total bank balance, \$200,000 was insured through the Federal Depository Insurance Corporation (FDIC). The remaining \$1,336,144 was collateralized with pooled securities held by the financial institutions' trust departments. These securities are held in the name of the financial institution and not that of the Library.

B. Investments

The Library Board of Trustees is independent and has the authority to invest Library funds. The Board relies on an investment manager who is charged to use a generally conservative approach within guidelines set by the Board.

The Library investments are summarized below. Investment securities held by the Library are presented in the financial statements at fair market value at June 30, 2002, which approximates fair value. Real estate is valued at the most recent appraisal. The investments that are represented by specific identifiable investment securities, are classified as to credit risk by the three categories described below:

Category 1 - Insured or registered, or securities held by the Library or its agent in the Library's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Library's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Library's name.

The following schedule classifies the investments of the Library as of June 30, 2002, into the above noted categories:

	Category			Total Cost	Market Value
	1	2	3		
Corporate Stocks and Bonds	\$ 12,158,978			\$ 12,158,978	\$ 19,906,800
Foreign Government Bonds	235,625			235,625	255,000
Real Estate	163,762			163,762	163,700
	<u>\$ 12,558,365</u>	<u>-</u>	<u>-</u>	<u>12,558,365</u>	<u>20,325,500</u>
Mutual Funds				1,798,203	1,798,200
Total				<u>\$ 14,356,568</u>	<u>\$ 22,123,700</u>

ENOCH PRATT FREE LIBRARY

Notes to Financial Statements (Continued)

These investments relate to the following funds:

	<u>Cost</u>	<u>Market</u>
Special Revenue-Other Funds	\$11,242,371	\$17,269,300
Permanent Funds	<u>3,114,197</u>	<u>4,854,400</u>
Totals	<u>\$14,356,568</u>	<u>\$22,123,700</u>

The Library had a realized gain of \$745,221 and an unrealized loss of \$3,734,340 or a net total loss (net of fees) of \$2,989,119 on Endowment Fund investments during fiscal year 2002. Cost for purposes of computing gain or loss is the historical cost of the individual investments.

6. Capital Assets

Capital assets activity for the year ended June 30, 2002, was as follows:

Governmental Activities Capital Assets

<u>Class</u>	<u>Balance June 30, 2001</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2002</u>
Capital assets, not being depreciated				
Land	\$ 1,656,400	\$ 20,000		\$ 1,676,400
Fine arts	1,061,800			1,061,800
Special collections	319,400			319,400
Construction in progress	8,475,700	2,045,500		10,521,200
Total capital assets, not being depreciated	<u>11,513,300</u>	<u>2,065,500</u>		<u>13,578,800</u>
Capital assets, being depreciated				
Buildings and improvements	12,038,500	212,600		12,251,100
Equipment	5,889,400	647,400		6,536,800
Library books and materials	26,066,200	3,421,800		29,488,000
Total capital assets, being depreciated	<u>43,994,100</u>	<u>4,281,800</u>		<u>48,275,900</u>
Less depreciation for:				
Buildings and improvements	6,324,600	237,800		6,562,400
Equipment	3,630,400	560,800		4,191,200
Library books and materials	9,434,700	2,606,600		12,041,300
Total accumulated depreciation	<u>19,389,700</u>	<u>3,405,200</u>		<u>22,794,900</u>
Total capital assets, being depreciated, net	<u>24,604,400</u>	<u>876,600</u>		<u>25,481,000</u>
Governmental activities capital assets, net	<u>\$36,117,700</u>	<u>\$2,942,100</u>		<u>\$39,059,800</u>

ENOCH PRATT FREE LIBRARY

Notes to Financial Statements (Continued)

Depreciation expense was charged to functions/programs of the Library for the fiscal year ended June 30, 2002 as follows:

Governmental activities:

Administrative and Technical Services	\$ 268,800
Neighborhood Services	1,176,700
State Library Resource Center	<u>1,959,700</u>
Total	<u>\$3,405,200</u>

7. General Long-Term Obligations

Long-term liabilities and activity for the year ended June 30, 2002 were as follows:

Governmental Activities

	<u>Balance</u> <u>July 1, 2001</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2002</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Compensated absences	<u>\$3,108,800</u>		<u>\$91,100</u>	<u>\$3,017,700</u>	<u>\$746,000</u>

Liquidations of compensated absences occur in the General Fund and Special Revenue-Grants Fund.

8. Interfund Balances and Activity

A. Balance Due to/from Other Funds

Balances due to/from other funds at June 30, 2002:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue-Grants	General Fund	\$ 21,200
Special Revenue-Grants	Special Revenue-Other	<u>9,900</u>
		<u>\$ 31,100</u>

B. Transfers to/from Other Funds

There were no transfers to/from other funds at June 30, 2002.

ENOCH PRATT FREE LIBRARY

Notes to Financial Statements (Continued)

9. Leases

The Library has entered into leases for rental of various pieces of equipment. All leases contain cancellation provisions and are subject to annual appropriations by the City and State governments. During fiscal year 2002, rent and lease expenditures approximated \$186,788 for all types of leases, including significant short-term equipment rentals. These expenditures were made primarily from the General Fund.

10. Retirement System

Plan Descriptions

All employees of the Enoch Pratt Free Library, other than some clerical and professional employees who are members of the Maryland State Retirement System to which the City makes no contributions, are covered by the City of Baltimore's Employees' Retirement System (ERS).

The ERS is a cost-sharing multiple employer defined pension plan administered by the City of Baltimore Retirement System. ERS provides retirement, disability, and death benefits to plan members and beneficiaries. The plan is managed by a Board of Trustees in accordance with Article 22 of the Baltimore City Code. Plan benefits may be amended only by the City Council. The Employees' Retirement System issues a publicly available financial report that includes financial and required supplementary information. That report may be obtained by writing to:

Baltimore City Retirement Systems
Room 640, City Hall
100 North Holliday Street
Baltimore, Maryland 21202-3431

Certain ERS information is presented below from the most recent financial report and actuarial valuation available. These reports are dated June 30, 2001.

Funding Policy

The Baltimore City Code establishes the contribution requirements for plan members and the City. Employees hired on or after July 1, 1979 must join the non-contributory plan. Employees hired prior to July 1, 1979, contribute to the plan at a rate of 4% unless they elected to transfer to the non-contributory plan. The City contributes to the plan at a rate of 6.1% of covered payroll. During fiscal year 2001, the City's annual required contribution was \$16,592,000. The Library's share of that cost was \$111,397. The annual contribution rate was determined as part of the actuarial valuation dated June 30, 2001, using projected unit cost method. The

ENOCH PRATT FREE LIBRARY

Notes to Financial Statements (Continued)

actuarial assumptions included (a) 8.0% investment return rate and (b) projected salary increases ranging from 4.75% to 7.0%. Post retirement benefit increases are provided to those retirees and beneficiaries entitled to such benefits when the plan is determined at June 30 to have excess earnings. The actuarial value of plan assets is determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level dollar on an open-ended basis. The remaining amortization period at June 30, 2001 is 20 years.

The following schedules present information for the entire Employees' Retirement System:

Three Year Trend Information
(Dollars Expressed in Thousands)

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed
June 30, 1999	19,710	100%
June 30, 2000	18,869	100%
June 30, 2001	16,592	100%

Schedule of Funding Progress
(Dollars Expressed in Thousands)

Actual Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 1999	1,247,952	1,193,031	(54,921)	104.6%	305,212	(18.0)%
June 30, 2000	1,309,548	1,217,622	(91,926)	107.5%	308,896	(29.8)%
June 30, 2001	1,374,100	1,283,030	(91,070)	107.1%	309,602	(29.4)%

11. Risk Management

The Library participates in the City's Risk Management Fund. The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1987, the City established the Risk Management Fund (an internal service fund) to account for and finance its uninsured risks. The City's risk financing

ENOCH PRATT FREE LIBRARY

Notes to Financial Statements

(Continued)

techniques include a combination of risk retention through self-insurance and risk transfer through the purchase of commercial insurance. The Risk Management Fund services all claims for risk of loss, including general liability, property and casualty, workers' compensation, unemployment compensation, automobile physical damage and bodily injury, and sundry other risks. Commercial insurance coverage is provided for each property damage claim in excess of \$750,000 with a cap of \$250,000,000. Settled claims have not exceeded this commercial coverage in any of the past three years. The City also provides medical insurance coverage for all employees and retirees. Employees are required to pay a percentage of the annual cost of the medical plans and the remaining costs are paid by the internal service fund.

All funds of the City participate and make payments to the Risk Management Fund based on actuarial estimates and historical cost information of the amounts needed to pay prior and current year claims. During fiscal year 2002, the Library's share of the City's cost was \$2,442,319.

12. Deferred Revenue

Deferred revenue in the Special Revenue-Grants Fund is associated with grant funds received as of June 30, 2002, for which related expenditures have not been incurred or the expenditures have been incurred and the reimbursement funding is not available as of June 30, 2002.

13. Postemployment Benefits

Baltimore City administrative policy provides that post employment benefits, other than pension benefits, be provided to all employees of the City. These benefits include certain health care and life insurance benefits. All employees who retire are eligible to receive these benefits. At June 30, 2002, there were 19,434 retirees eligible for these benefits. The City reimburses approximately 63% of the premium cost incurred by pre-Medicare retirees and their dependents. The City also reimburses approximately 84% of the cost for Medicare supplement for each retiree or dependent eligible for Medicare. Such benefits are accounted for on a cash basis so that payments during the current year represent benefit coverage for currently retired employees or their beneficiaries. During fiscal year 2002, these postemployment benefits amounted to \$63,321,000. Since this amount includes employees from other City departments, none of these costs are charged to the Library.

ENOCH PRATT FREE LIBRARY

Notes to Financial Statements (Continued)

14. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

15. Fringe Benefits Paid Directly by the State of Maryland

The State of Maryland, by agreement with the political subdivisions, mandates professional and certain other employees of the Library to join the Maryland State Teacher's Retirement System. The State is responsible for the payment of the pension costs for these individuals. The amount of pension contribution paid by the State for eligible Library employees approximated \$1,016,500 for fiscal year 2002. The State payments are based on an annual State budget appropriation and such payments could be rescinded if funds were not appropriated. These payments are also subject to possible State audit exceptions in subsequent fiscal years.

16. Commitments and Contingencies

The Library receives a substantial amount of its support from the State of Maryland and Baltimore City. A significant reduction in the level of support may have an effect on the Library's programs and activities.

The Library participates in several State and Federal grant programs. Entitlement to grant resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal and State regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits in accordance with grantors' requirements. Any disallowances as a result of these audits become a liability of the Library. As of June 30, 2002, the Library estimates that no material liabilities will result from such audits.

The Library may be party to legal proceedings which normally occur in its operations. The Library Board of Trustees utilizes the Baltimore City Law Department to address such proceedings. The legal proceedings, in the opinion of the City Solicitor, in general, are not likely to have a material impact on the financial statements of the Library.

ENOCH PRATT FREE LIBRARY

Notes to Financial Statements

(Continued)

17. Promises to Give

Contributions are recognized by the Library in the period received. Promises to give in the amount of \$1,515,600, which were pledged to the Library in fiscal year 2002 and expected to be received in subsequent periods, are therefore not reported in the financial statements.

18. Contributed Services

A substantial number of unpaid volunteers have made significant contributions of their time to develop the Library's programs, principally in the areas of information services, programming, and support services. The value of these services, estimated to be \$232,495, has not been recorded in the accompanying financial statements.

19. Income Tax Status

Under applicable provisions of the Internal Revenue Code, the Library is not subject to income taxes except for unrelated business income, if any.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**ENOCH PRATT FREE LIBRARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (1)
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

<u>Grant Title</u>	<u>Federal I.D. Number</u>	<u>MSDE I.D. Number</u>	<u>C.F.D.A. Number</u>	<u>Expenditures</u>
NATIONAL FOUNDATION ON THE ARTS AND HUMANITIES, INSTITUTE OF MUSEUM AND LIBRARY SERVICES (2)				
National Leadership Grants for Libraries				
Direct Federal	ND-10026-01		45.312	<u>\$ 28,482</u>
Aid - Public Libraries				
Pass-through from MSDE		132136	45.310	240,000
		132384	45.310	9,000
		232620	45.310	120,000
		233742	45.310	18,400
		234143	45.310	74,916
		234144	45.310	<u>57,000</u>
Total Aid - Public Libraries				<u>519,316</u>
Total National Foundation on the Arts and the Humanities				<u>\$ 547,798</u>

See notes to the Schedule of Expenditures of Federal Awards.

ENOCH PRATT FREE LIBRARY

Notes to the Schedule of Expenditures of Federal Awards June 30, 2002

1. Active Awards

For the purposes of this report, the schedule of expenditures of federal awards includes any award, which incurred current fiscal year 2002 expenditures.

2. Scope of Testing

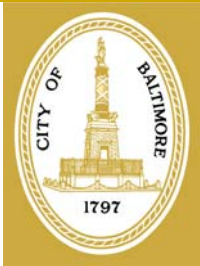
For an organization where the total federal awards expended is between \$300,000 and \$100,000,000, OMB Circular A-133 defines Type A major programs as federal programs with federal awards expended during the audit period exceeding the larger of \$300,000 or three percent of total federal awards expended. COMAR 13A.02.07.04B(2) further defines major federal programs for local boards that do not expend more than \$300,000 on a single CFDA number as programs for which federal expenditures during the applicable fiscal year exceed the larger of \$100,000 or 5% of total federal expenditures for all programs.

In accordance with the provisions of OMB Circular A-133, a risk-based approach was used to determine federal programs audited as major. For the fiscal year ended June 30, 2002, the Library administered one Type A program as defined above. Accordingly, the following Type A program has been determined to be a major program:

<u>Title</u>	<u>CFDA #</u>	<u>Expenditures</u>
Aid – Public Libraries	45.310	\$519,316

The Library expended 95% of its total expenditure of federal awards of \$547,798 under the above major program.

AUDITOR'S REPORT ON COMPLIANCE
AND
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS



AUDITOR'S REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

January 15, 2003

Honorable Joan M. Pratt, Comptroller
And Other Members of the
Board of Estimates of the
City of Baltimore

Board of Trustees of the
Enoch Pratt Free Library

We have audited the financial statements of the Enoch Pratt Free Library as of and for the year ended June 30, 2002, and have issued our report thereon dated January 15, 2003. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Enoch Pratt Free Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Enoch Pratt Free Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected

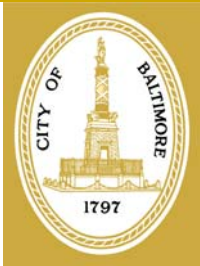
within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the City of Baltimore's and Enoch Pratt Free Library's management, the Federal cognizant agency and the Maryland State Department of Education. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

Yovonda D. Brooks, CPA
City Auditor

AUDITOR'S REPORT ON
COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR PROGRAM
AND
INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133



AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

January 15, 2003

Honorable Joan M. Pratt, Comptroller
And Other Members of the
Board of Estimates of the
City of Baltimore

Board of Trustees of the
Enoch Pratt Free Library

Compliance

We have audited the compliance of the Enoch Pratt Free Library with the types of requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The Enoch Pratt Free Library's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Enoch Pratt Free Library's management. Our responsibility is to express an opinion on the Enoch Pratt Free Library's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Enoch Pratt Free Library's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Enoch Pratt Free Library's compliance with those requirements.

In our opinion, the Enoch Pratt Free Library complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the Enoch Pratt Free Library is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Enoch Pratt Free Library's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the City of Baltimore's and Enoch Pratt Free Library's management, the Federal cognizant agency and the Maryland State Department of Education. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

Yovonda D. Brooks, CPA
City Auditor

**AUDITOR'S SCHEDULE OF
FINDINGS AND QUESTIONED COSTS**

ENOCH PRATT FREE LIBRARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2002

Section I – Summary of Auditor’s Results

Part I – Basic Financial Statements

Type of auditor’s report issued:

unqualified opinion

**Part II – Auditor’s Report on Compliance and on Internal
Control over Financial Reporting**

Material weaknesses identified?

___ yes X no

Reportable conditions identified not considered to be material weaknesses?

___ yes X none reported

Noncompliance material to financial statements noted?

___ yes X no

**Part III – Auditor’s Report on Compliance with Requirements
Applicable to each Major Program and on Internal
Control over Compliance**

Internal control over major programs:

Material weaknesses identified?

___ yes X no

Reportable conditions identified not considered to be material weaknesses?

___ yes X none reported

Type of auditor’s report issued on compliance for major programs:

unqualified opinion

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?

___ yes X no

Identification of major program:

CFDA Number
45.310

Title
Aid – Public Libraries (Pass-through from MSDE)

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

X yes ___ no

ENOCH PRATT FREE LIBRARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2002

Section II – Findings Relating to the Library’s Financial Statements, which are Required to be Reported in Accordance with *Government Auditing Standards*.

The results of the auditor’s tests disclosed no material instances of noncompliance that are required to be reported under *Government Auditing Standards*. The auditor noted no matters involving the internal control over financial reporting and its operation that are considered to be material weaknesses and no deficiencies in internal control that are required to be reported under *Government Auditing Standards*.

Section III - Findings and Questioned Costs for the Library’s Federal Awards, which are Required to be Reported in Accordance with OMB Circular A-133.

The auditor found no instances of noncompliance with certain requirements applicable to the major federal program that are required to be reported in accordance with OMB Circular A-133. The auditor noted no matters involving the internal control over compliance and its operation that are considered to be material weaknesses and no deficiencies in internal control that are required to be reported under OMB Circular A-133.

**AUDITEE'S SUMMARY SCHEDULE OF
PRIOR AUDIT FINDINGS**

ENOCH PRATT FREE LIBRARY
AUDITEE'S SUMMARY SCHEDULE OF PRIOR FINDINGS
FISCAL YEAR ENDED JUNE 30, 2002

A fiscal year 2001 single audit of the Enoch Pratt Free Library was not performed because expenditures of Federal awards were less than the \$300,000 threshold established by OMB Circular A-133. The status of a finding included in the fiscal year 2000 single audit report is presented below.

<u>Finding Number/Finding</u>	<u>Status</u>	<u>Planned Corrective Action</u>
<u>Finding # 00-1</u>		
Property Records Should be Updated Timely when Equipment is Purchased.	Resolved	

**AUDITEE'S CORRECTIVE ACTION PLAN ON
CURRENT AUDIT FINDINGS**

ENOCH PRATT FREE LIBRARY
AUDITEE'S CORRECTIVE ACTION PLAN ON CURRENT AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2002

There were no findings in the Enoch Pratt Free Library single audit report for the fiscal year ended June 30, 2002.